



0000045275

MEMORANDUM

ORIGINAL
RECEIVED
2001 OCT 12 A 8:18

TO: DOCKET

FROM: Janie Woller
Consumer Service Specialist
Utilities Division

DATE: October 11, 2001

RE: DOCKET NO. T-04052A-01-0794, RED ROCK WATER COOPERATIVE

The following items are being forwarded to Docket No. T-04052A-01-0794 for the Red Rock Water Cooperative's customer now that the application has been filed and has a Docket No.

Arizona Corporation Commission
DOCKETED
OCT 12 2001

DOCKETED BY	<i>[Signature]</i>
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Debby Dobson

(928)
Tel: (520) 282 9473
FAX: (520) 282 9625

Fax Transmission

TO: Janie Woller, AZ Corp. Commission

FAX #: 602/542-2129

RE: Update - Red Rock Water Coop

PAGES: 4, inc. cover sheet

DATE: Friday Oct. 5, 2001

COMMENTS:

Dear Janie,

Here is a copy of the reply to my Oct. 1 letter to Attorney Owens. I am sending out a letter today to Jay Elmer asking him to respond in writing by Mon., Oct 22nd. That gives him a good couple of weeks to reply.

Also included here is a copy of the letter I sent out today to other Coop users expressing my concerns.

Please let me know as soon as possible what your attorney there says. I am still very concerned about my bill for the assessment fee which is now due by the end of this month. If I pay even part of it, I believe that means I have agreed to pay all of it.

Thank you & I look forward to hearing from you.

Debby

THE LAW OFFICE OF STEVEN R. OWENS P.C.

Steven R. Owens, Attorney at Law

Admitted to practice before the courts of Arizona and Colorado

25 Bell Rock Plaza, Suite A
Sedona, Arizona 86351-8804
Telephone (928) 284-0899
Mobile Telephone (928) 853-0653
Telecopier (928) 284-9885
E-mail owens@sedona.net

October 3, 2001

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

Re: Red Rock Water CoOperative Inc.

Dear Ms Dobson,

I have forwarded your October 1, 2001, letter to Jay Elmer, President of the CoOperative, for response. You may speak with him directly with your concerns.

Sincerely,



Steven R. Owens

SRO:mja

October 6, 2001

Dear Neighbor and fellow Red Rock Water CoOp user,

Accompanying your water bill for the month of Sept., 2001 you received a short letter which states that all but one of the CoOp members has signed the two petitions – one for the approval of the incorporation of the CoOp, and the other for a request for adjudication addressed to the Arizona Corporation Commission.

I am the member who hasn't signed the petitions and I would like to explain my concerns to you.

Firstly, we have not received any documentation as to what exactly was wrong with the well, what parts (if any) need replacing and any possible labor charges. We have been asked to pay a \$300 assessment fee not knowing what we're paying for. The fee was \$300 this time, but it could be higher next time. If we are supporting the well financially, I think we're entitled to know what the expenditures are.

Secondly, from what I understand, the Elmers spent over \$1000 on attorney fees to incorporate the CoOp. This is a lot of money! If this money was taken from the CoOp account (as was expressed to me), my concerns are: 1) why wasn't a meeting of the CoOp members called to discuss the reason/s for the necessity to incorporate and a vote taken for an expenditure of this magnitude?, and 2) could this be the reason why there were insufficient funds in the account to cover expenses when the well broke down? If this is true, that may be why we were assessed a \$300 fee.

I have talked with two other neighbors in Elmersville who are on similar well-sharing situations about what they pay for water. One well has 4 users and the other has 5; thus, they are both smaller than the Red Rock Water CoOp.

One neighbor (the 4 user well) pays a flat \$30 per month for unlimited water usage. The other neighbor (at the 5 user well) pays a flat rate of \$20 per month. Yet with more users, we pay a \$15.00 base rate for the first 1000 gallons and may be paying up to \$2.50 for every 1000 gallons past that base rate.

If our rates are increased to the proposed \$2.50 per thousand gallons past the base, we will be paying more than many of the water users in Sedona and other areas of the Verde Valley. Please refer to the "rate comparison" sheet I have enclosed. As you can see, only two other water companies are higher.

Water is a precious and necessary resource, especially to people living in a desert. Human beings cannot survive for long without water, not to mention plants and animals.

At the moment, all of us (unless we can afford to drill our own wells, currently about a \$20,000 expense) are completely dependent on the Red Rock Water CoOp for our water and the cost of that water. Are we getting a "fair shake" cost-wise compared to other smaller neighborhood wells? And to water users in other areas?

I am not trying to create financial hardship for the CoOp, nor am I trying to cause trouble for the Elmers. These questions are reasonable. I believe that as well users, we have not been given sufficient information.

I addressed these concerns to the Elmers attorney, Steve Owens in a letter on Oct. 1 because that is what we were instructed to do in the letter we received on August 30. In

his response to me, attorney Owens said he forwarded my letter to Jay Elmer as President of the CoOp. I have written to Jay asking that he please respond by letter to me by Monday, October 22. That gives him a good two weeks to reply. I will let you all know what the result is and in the interim, please feel free to contact me if you wish.

Sincerely,

Debby Dobson
375 Mockingbird Lane
Sedona, AZ 86336
282-9473

*Forwarded to DocuNet w/ T-405219-01-074**Six (6) pages total.*

TO: Janie Woller,
Arizona Corporation Commission

Dear Janie,

Here is a copy of the bill I received today along with the letter which accompanied it. I have also sent you a copy of the letter I wrote to the CoOp's attorney, Steve Owens, dated October 1.

I just checked with Tim Wright, who said he gave \$100 toward the \$300 assessment fee which was accepted by the Elmers. Please see page 8 (of 13) in the CoOp's Articles of Incorporation, Section 14: "Dues, Assessments, and Water Usage Fees" which says that the board of directors may consider payment plans. Also, as you recall, there was no date of payment specified in the other letter I sent you.

I am concerned that what may happen is that I will now (having written a letter to Steve Owens) be sent a certificate to the CoOp and that under the "Membership" section (page 5 of 13) they will try to enforce the rules therein.

I believe that what they are trying to do is force me to pay the entire assessment fee (which I can't afford to do - property taxes are coming up on Nov. 1st), and that if I don't, that will give them an excuse to shut off my water. Also, they have clearly made me the "bad guy"!

Please check this out with the attorney there who is handling the case and let me know what he or she says as I can only afford to give them part of the fee.

The letter which came along with the bill today mentions an upcoming meeting. Can you attend that? Obviously I don't know when it will be but I remember you attended the last series of meetings a couple of years ago. I will be out there alone if someone from the Corporation Commission doesn't back me up and the way things stand now, I know I will need all the help and support I can get.

Thank you and I look forward to hearing from you,

Debby Dobson

P.S. I don't know whether or not I mentioned it when we talked this afternoon, but I learned earlier today from another neighbor that their small community well (total of 4 users) charges a flat rate of \$30 per month with no limit to the amount of water usage. When I asked how they handle the repairs, she said that one of the users does the repairs and just charges for parts.

If you remember, another neighbor I asked a couple of weeks ago about his water rates told me that there were 4 or 5 users on his well and that they all paid \$20 per month. So, in comparison to other local community wells, the Red Rock Water CoOp not only has more users, but will be charging more if the rate increase goes through!

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

DEBORAH DOBSON
375 MOCKINGBIRD LANE
SEDONA, AZ. 86336

BILLING FOR MONTH OF SEPT. 2001

PREVIOUS READING 506370

CURRENT READING 514460

TOTAL GALLONS 8,090

BASE RATE FOR FIRST
1000 GALLONS \$ 15.00

\$ 1.50 PER 1000 GALLONS
AFTER BASE \$ 10.63
7,090

ASSESSMENT

TOTAL THIS MONTH \$ 25.63
\$ 300.00

PAST DUE

TOTAL DUE \$ 325.63

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

TO ALL SHAREHOLDERS,

THIS IS JUST TO LET EVERYONE KNOW THAT ALL BUT 1 OF THE MEMBERS HAVE SIGNED , AND RETURNED THEIR PAPERS FOR THE INCORPORATION, AND THAT IT SHOULD BE COMPLETED THIS MONTH.

WHEN THE INCORPORATION IS COMPLETED, THERE WILL BE A MEETING TO DISCUSS, HOW WE SHOULD DO THE RATE INCREASE, AND ANYTHING ELSE THAT ANYONE OF YOU THINK WE SHOULD DISCUSS. WE WILL LET YOU KNOW OF THE MEETING, AND TIME AND PLACE.

WE ALSO NEED TO INFORM YOU, THAT A COMPLAINT HAS BEEN FILED, TO THE CORPORATION COMMISSION, BY 1 OF OUR MEMBERS, AND THAT AS A RESULT, WE WILL BE FACING MORE ATTORNEY FEES..

THE \$ 300.00 ASSESSMENT WILL STAY AS IT IS, AND IS STILL DUE AND PAYABLE AT THIS TIME, ALSO ANY PAST DUE ACCOUNTS SHOULD BE PAID AT THIS TIME.

THANK YOU

Attorney Steve Owens
25 Bell Rock Plaza, Suite A
Village of Oak Creek, AZ 86351

October 1, 2001

Dear Attorney Owens,

I am writing to you with regard to the Red Rock Water CoOp and the information I have received from them recently. I have several questions and concerns and was directed to contact you with them. Please do not contact me by phone; I will give you my mailing address; I prefer to be contacted by letter.

My first concern is that although it is obvious that the Elmers (Jay and his sister Kay) were having trouble with the well in recent months, they have not provided any documentation as to what exactly was wrong with it. To request a \$300 assessment fee of all the "shareholders" with no explanation of what we are paying for is unfair. I have put the word shareholders in quotes because although the CoOp well users are referred to this way, it is in name only, as they are not granted access to much information concerning the functioning of the well, nor are they asked for input in the form of votes. This is especially pertinent with regard to any decisions made on financial issues, including assessment fees and rate increases.

Secondly, concerning the rate increase, I contacted another neighbor herein Elmersville who uses a shared well along with only 3 or 4 other families and he told me that they pay an average of about \$20 per month for their water. Thus, although this neighborhood well has fewer users than the Red Rock Water CoOp, they are paying less for their monthly water use. Additionally, I compared the cost of purchasing water from seven other local water companies to the proposed rate increase of the Red Rock Water CoOp and of the seven, only *two* are higher!

This proposed rate increase for the Red Rock Water CoOp amounts to a 67% (or two thirds) increase for anyone using more than the thousand gallon base rate, which is essentially everyone on the system. It is especially hard on those users who have a drip system.

Thirdly, I understand that the Elmers have spent approximately \$1200 to incorporate the Red Rock Water CoOp. This decision was made with no vote from the "shareholders" and may be why there was no money in the kitty to pay for the repair of the well when it broke down a couple of months ago.

I would like an explanation as to why the Elmers felt it was necessary to incorporate the CoOp, and why they chose to spend the "shareholders" money without any input from them.

Fourth, when I purchased my property nearly six years ago, I never received a copy of the water certificate. In fact, the first I knew of the certificate was when I read the articles of incorporation of the CoOp!

The couple I purchased the property from told me I would receive a bill from the "Red Rock Water CoOp" - for all I knew, that was a division of Arizona Water. I had no idea for quite some time even where the well was located, much less that I was financially

responsible for the upkeep of it! From what I understand, the same is true of another neighbor who purchased his property at about the same time as I did.

I checked with the County Recorder's office and they have no record of this certificate on file as a public document.

There are also several other issues I am concerned about. The couple I purchased my property from (Kirk and Debbie (Elmer) Riddell), were receiving free water after the meters were installed by Red Rock Water CoOp. As it turns out, the valve for the free water was located less than 3 feet from the water meter on my property. As Kirk installed the CoOp's meters and works for Arizona Water, this seems either suspicious or could certainly constitute a gross oversight. When Kay and Steve Holland first learned of this free water, Steve said, "Oh, that's why Kirk's water bill was always so low! Well, I'll never tell!"

Shortly thereafter, my drip system was disconnected and I had to water by hand. Steve then told me that I had to "fix" the free water. I said that I had not created the problem and was not responsible for fixing it. Not long after that, Jay Elmer showed up and said that if I didn't fix it, he would shut my water off. (Since then, I have learned of a situation in another part of Elmersville where, some years ago, the water was indeed shut off to the home of an elderly woman with cancer who had been purchasing water from the Elmers. Granted, I don't know all the details of this situation, but clearly, the Elmer family is capable of depriving people of water.)

As you recall, this was one of the first issues Jay brought up at the series of meetings between the CoOp and the Corporation Commission. My point was that I did not feel it was my responsibility to incur any cost of diverting the free water into the meter and I wanted to share my side of the story with the people who attended. In fact, I purchased the property without knowing that I was getting free water!

Since then, I have never received a call back from the Hollands when I have had a question about the well and I have not contacted them more than half a dozen times since those meetings. In fact, the one and only time the Elmers were considerate enough to call and let the CoOp users know ahead of time that they were shutting off the water to make repairs, they had another neighbor call me, saying that we were not on speaking terms. One day during the hottest part of the summer this year when there was no water yet again, I called the number listed in the phone book for Jay Elmer as I knew I would not hear from the Hollands. I apparently reached the office of Sedona Plumbing and the woman I spoke with after I'd introduced myself (Jay's wife?) was obviously very irritated, said they didn't know what was wrong and ended the conversation by slamming the phone down.

This is not what I would describe as mature or professional behavior.

Another concern I have is that of the petition for adjudication to the Corporation Commission. The copy I received was signed by Cindy Cullen who is now deceased and also by Jim Miner, who has not purchased water from the CoOp for some time as he and his neighbor, John Villegas decided to drill their own well and break away from the CoOp. Can those signatures be considered valid?

I was told by Rosella Davis that when she and her husband Frank were approached to sign the above mentioned petition, they were told that the former CoOp users who broke off (a total of four) and drilled their own wells did so to "help" the CoOp by reducing the number of users to less than what would be regulated by ADEQ! The Davis' are an

elderly couple in their mid-eighties and are very trusting. I don't know who told them this, but I know that John Villegas and Jim Miner were not trying to "help" the CoOp in any way by drilling their own well. In fact, it was John Villegas who initiated the idea of contacting the Corporation Commission several years ago because he was not happy about being on the CoOp well.

I know of another recent instance (having nothing to do with water) in which the Elmers included the signatures of two minors to a petition they circulated and presented to the County Board of Supervisors.

Two other concerns which I would like addressed are that of testing the water from the CoOp's well on a regular basis (every six months), and of providing regular (bi-yearly) financial statements to the well users. In the nearly six years I have lived here, I have only seen two financial statements and no indication of water testing. The well which served much of Camp Verde had to be moved seven miles out of town because high levels of arsenic were discovered. And, although the CoOp well is not near the old Camp Verde well, it makes good common sense to have the water tested regularly.

In closing, I would like to point out that, in addition to the discrepancies I have mentioned, I have seen and heard of several other instances in which the Elmers have behaved in less than a mature manner toward other neighbors. When I first moved here, a neighbor who has lived here for over 20 years cautioned me that they were known for their tempers. I take most of what I hear with a grain of salt until I actually see something to substantiate it, but I can assure you that, since that conversation, I have seen untoward and over reactive behavior from the Elmers first hand.

I look forward to hearing from you at your earliest convenience and have included my mailing address below.

Sincerely,

Deborah Dobson
375 Mockingbird Lane
Sedona, AZ 86336

Debby Dobson

(928)
 Tel: (520) 282 9473
 FAX: (520) 282 9625

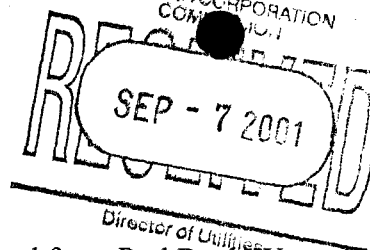
Fax TransmissionTO: Jamie Woller, Corporation CommissionFAX #: 602/542-2129RE: Red Rock Water CoopPAGES: oneDATE: 9/9/01**COMMENTS:**

Dear Jamie,

As a follow-up to the rate comparison I faxed you last week, I wanted to let you know that I spoke with another neighbor in a similar well-sharing situation. He shares this well with only 3 other neighbors (total of 4 on the well) and they pay an average of \$20.00 per month. I'm not sure whether it is a flat rate or an average, but it's less than what the Red Rock Coop wants us to pay, with more users!

We got our latest bill (for Aug.) + interestingly, it didn't show any increase-?! No documentation included, however, for part replacement, etc. for whatever was/is? wrong with our well.

Go figure!



Dear Janie,

Enclosed please find a copy of the documents I received from Red Rock Water CoOp yesterday. Apparently they have incorporated, which means they spent shareholders/members money to do so with no input in the form of a vote from us. Perhaps that is why there is no money left to repair whatever is wrong with the well.

Regarding the petition:

Of the signatures collected, one woman is no longer alive; Cindy Cullen died approximately 21/2 to 3 weeks ago. Thus, she is no longer a shareholder.

Jim Miner has not bought water from the CoOp for over a year now, having drilled a well with his next-door neighbor, John Villegas. Why he signed it, I don't know.

Frank Davis will do just about anything the Elmers say – he always has.

Michael Kempe and his family are currently residing in Cairo, Egypt and will not be living here full time for another two years or so.

I was surprised that Dallas Weaver signed it, but knowing what a smooth a talker Jay can be, I guess he convinced Dallas that the Corporation Commission's involvement would be bad.

Jay Elmer and Steve Holland are brothers-in-law; Steve married Kay, Jay's sister.

I am not sure where Jim Herbert will stand.

Tim Wright is "on the fence".

I will not sign it. I have seen another petition the Elmers recently presented to the County on another issue, where 2 signatures were from minors and another was from one of the Elmer daughters who does not live in Elmersville (she is a property owner only). "Padding" petitions is apparently a commonly used tactic among the Elmers.

Other issues:

In the "Notice" section of the petition, it says clearly that the CoOp directors shall be elected by the members and yet there are 3 directors (all Elmers) listed at the end of the "Bylaws" – who elected these people? I know of no election held since I moved here nearly six years ago.

As you can see, there still is no documentation or explanation of what is wrong with the well. Neither is there any indication that financial reports will be provided on any kind of schedule (say, every quarter) or that regular water testing will be provided. Additionally, there is no mention of extending the courtesy to CoOp members of calling them to let them know when the water will be turned off on any given occasion or information given to members when there is a problem with the well equipment (as has been the case recently).

Regarding the issue of votes – it says that there will be only "one membership and one vote for each parcel of real property" (see page 5). Why then is Chuck Coulter's wife Penny even listed on the petition?

Although I certainly am no attorney, it seems to me after reading the Bylaws, that the Elmers will pretty much be able to (continue) to do as they want, with little input from the members. The fact that they went ahead and spent over a thousand dollars recently to incorporate is indicative to me that they are not going to suddenly start requesting the members to voice their opinions!

On a more personal note, I need your help. This, I believe, will require the assistance of whomever is involved in this case from your Legal Department.

When I purchased this property nearly six years ago, I did not receive any certificate from the CoOp. From what I understand from talking to other neighbors and from reading the Bylaws,

this certificate states that anyone receiving water from the CoOp is financially obligated to support the well in the form of assessment fees.

So, where does that leave me in terms of my personal financial responsibility to the CoOp? According to Tim Wright, whom I spoke with last night and who bought his property about the same time as I did, he never received a certificate either.

Also, can the Elmers shut off my water legally in the State of Arizona if I have paid my bills on time for nearly six years? My fear is that they will. I spoke with another neighbor last night who told me that some years ago, the Elmers shut off the water to the elderly woman who was living on their property at the time – and she had cancer! Obviously, I don't know all the details of what happened, but that seems like a cruel and heartless act.

Can a private water supplier simply shut off someone's water for any reason other than the bill not being paid?

In my conversation this morning with your supervisor, I was at least somewhat reassured that the CoOp may apply for adjudication and still not receive it. I sincerely hope that they don't. Based on my personal experiences with the Elmers (which include, among other things: Jay threatening to shut my water off several years ago, unreturned phone calls from Kay and Steve Holland, watching Jay go after a dog in his yard with a shovel raised over his head to beat it, hearing firsthand that Jay chased two handicapped women on horseback with his truck after they asked him to slow down, being told to "shut up" when I stopped Kay Holland to ask her a question on the street one day, knowing that Steve Holland lied outright at one of the last meetings held, and no communication or documentation from the Hollands and the Elmers as to what exactly is wrong with the well to justify both a rate increase and a \$300 assessment fee), I have no reason to trust them. Incidentally, how do we members even know that the Holland and the Elmers are really paying for the water they use? Both of these couples are growing quite a lot of grass in their yards. . . .

Anyway, enough said. Yesterday, I contacted a neighbor above me and to the East who is drilling a well as I write this and told him what was going on here – he doesn't like the Elmers any more than I do – and asked him whether he'd be willing to sell me water. He said he'd have to see how much water (GPM) the well produces and will let me know in a week or so. I pray that I can work it out with him and not have to depend on the Elmers for water in the future. But, in the meanwhile, I am still hooked up to the CoOp and so are other neighbors.

Thanks for your help Janie, and please contact me when you return – I am quite anxious about this situation.

Sincerely,

Debby Dobson
928/ 282-9473

NOTICE TO PROPERTY OWNERS AND MEMBERS OF
RED ROCK WATER COOPERATIVE, INC.

AND CONSENT TO APPLICATION

AND PETITION

NOTICE:

Red Rock Water CoOperative, Inc., an Arizona non-profit corporation, (the "CoOperative") has applied to the Arizona Corporation Commission for an adjudication that it is not a public service corporation (public utility) and therefore is not under its jurisdiction. If the application is approved, the Commission will not regulate the rates the CoOperative charges its members. All complaints concerning rates and service will be handled by the CoOperative's board of directors elected by the members, pursuant to the articles of incorporation and the bylaws of the CoOperative.

If you have any questions about this application or have any objections to its approval, you may contact the Arizona Corporation Commission's Utilities Division at 1-800-222-7000, or write to 1200 W. Washington, Phoenix, Arizona 85007.


CONSENT TO APPLICATION AND PETITION:

The below signed members of Red Rock Water CoOperative, Inc., hereby acknowledge that they have received and have read the above NOTICE and hereby consent to and support the CoOperative's application to the Arizona Corporation Commission for an adjudication that it is not a public service corporation (public utility), and furthermore hereby petition the Arizona Corporation Commission to grant the CoOperative's application.

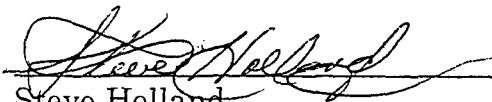
This Consent and Petition may be signed in any number of counterparts, all of which together shall constitute one original.

DATED: _____

CONSENT:

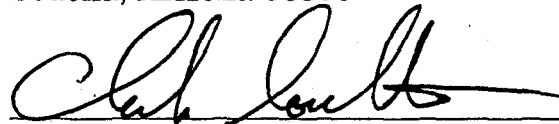


Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336

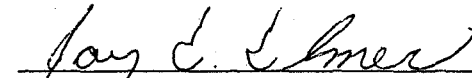


Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Castaic, California 91384~~ Sedona, AZ. 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

X

Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336



Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340

Jim Herbert
151 Country Lane
Sedona, Arizona 86336

Dallas Weaver

Dallas Weaver
Post Office Box 4201
Sedona, Arizona 86340

Jim Miner

Jim Miner
180 Country Lane
Sedona, Arizona 86336

Cindy Cullen
90 Mockingbird Spur
Sedona, AZ. 86336

Cindy Cullen

**BYLAWS
OF
Red Rock Water CoOperative, Inc.
(An Arizona Non-Profit corporation)**

ARTICLE I

**OFFICES,
CORPORATE SEAL,
CORPORATE ARTICLES,
AND CORPORATE PURPOSE AND LIMITATIONS**

Section 1. Principal Place of Business. The Corporation's known place of business shall be Post Office Box 1164, 420 Mockingbird Lane, Sedona, Arizona 86336, unless and until it is changed by a majority vote of the board of directors.

Section 2. Other Offices. The Corporation may also maintain offices at such other place or places, either within or without the State of Arizona, as may be designated from time to time by the board of directors, and the business of the Corporation may be transacted at such other offices with the same effect as that conducted at the principal office.

Section 3. Corporate Seal. A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation, but nevertheless if in any instance a corporate seal be used, the same shall be simply the words "CORPORATE SEAL-RED ROCK WATER COOPERATIVE, INC." handwritten or typewritten.

Section 4. References to Articles. Any reference herein made to the Corporation's Articles will be deemed to refer to its Articles of Incorporation and all amendments thereto as at any given time on file with the Arizona Corporation Commission, together with any and all certificates theretofore filed by the Corporation with the Arizona Corporation Commission.

Section 5. Seniority of Articles. The statutes of the State of Arizona will in all respects be considered superior to the Articles, with any inconsistency resolved in favor of said statutes. The statutes and Articles will in all respects be considered

senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the statutes and Articles, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

Section 6. Continuity of Cooperative. It is hereby acknowledged that the corporation is successor in interest to Red Rock Water CoOperative, an unincorporated cooperative water company (the "CoOp") formed pursuant to that certain Agreement dated June 25, 1976. The corporation hereby assumes the assets and known liabilities of the CoOp. Upon formation of the corporation, each holder of a certificate in the CoOp shall be entitled to exchange that holder's certificate for membership in the corporation. In consideration of the CoOp's transfer of all of its assets to the corporation, the corporation hereby agrees to fully indemnify, defend and hold harmless all members of the CoOp from and against any claims, debts or causes of action which relate to that person's membership in the CoOp. By their signatures below in the CONSENT portion of these Bylaws, all undersigned members of the CoOp hereby agree that the Agreement dated June 25, 1976 shall hereafter be null, void and of no further force nor effect, and all of the rights and obligations of the CoOp and its respective members and certificate holders shall be subsumed by the respective rights and obligations of this corporation and its membership under Arizona law.

Section 7. Corporation Not To Be A Public Service Corporation. It being the intention of the incorporators, directors and members that the corporation shall continue to be a non-profit, member owned, cooperative, no officer, director or member shall take any action whatsoever which would cause the corporation to become a "Public Service Corporation" as that term is defined by the Arizona Constitution, Article 15, Section 2, and/or ARS §40-201, et. seq. and any such action shall be null, void and of no force nor effect. Accordingly, the corporation shall have a fixed number of taps, which shall not exceed 14 and shall never serve more than 24 persons. If a member divides that member's land, creating a building parcel, that parcel may qualify for membership and service, but only if that membership does not cause the number of members of the corporation to exceed 14 and the number of persons served to exceed 24. The corporation shall own all of the pumps, well equipment, storage equipment, distribution equipment, pipes, valves, etc., used in the operation of the corporation's water production and distribution system. The service area of the corporation shall not encompass any portion of the service area of a municipal utility or public service corporation providing water.

ARTICLE II MEMBERS AND MEMBERSHIP

Section 1. Members' Meetings. All meetings of members shall be held at such place as may be fixed from time to time by the board of directors, or, in the absence of direction by the board of directors, by the president or secretary/treasurer of the Corporation, either within or without the State of Arizona, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof. All members' meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 2. Annual Meetings. Annual meetings of members shall be held on the first Tuesday in January, the first such meeting to be held in calendar year 2002, if not a legal holiday, and if a legal holiday, then on the next secular day following, or at such date and time as shall be designated from time to time by the board of directors and stated in the Notice of the Meeting. At the annual meeting, members shall elect a board of directors and transact such other business as may properly be brought before the meeting.

Section 3. Notice of Annual Meeting. Written notice of the annual meeting stating the place, date, and hour of the meeting shall be given to each member of record entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Members entitled to vote at the meeting shall be determined as of four o'clock in the afternoon on the day before notice of the meeting is sent.

Section 4. List of Members. The officer who has charge of the membership roster of the Corporation shall prepare and make, no more than two days after notice of a meeting of members is sent, a complete list of the members entitled to vote at the meeting, arranged in alphabetical order showing the address of each member. Such list shall be open to examination and copying by any member, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the area where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any member present.

Section 5. Special Meetings of Members. Special meetings of the members, for any purpose or purposes, unless otherwise prescribed by statute or by the articles of incorporation, may be called by the president and shall be called by the president or secretary/treasurer at the request in writing of a majority of the board

of directors, or at the request in writing of ten percent of the members. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Notice of Special Meeting. Written notice of a special meeting stating the place, date, and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each member of record entitled to vote at such meeting. Business transacted at any special meeting of members shall be limited to the purposes stated in the notice. Members entitled to vote at the meeting shall be determined as of four o'clock in the afternoon on the day before notice of the meeting is sent. All special meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 7. Quorum and Adjournment. The majority of members entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum at all meetings of the members for the transaction of business except as otherwise provided by statute or by the articles of incorporation. If, however, such a quorum shall not be present or represented at any meeting of the members, a majority of the members entitled to vote at the meeting, who are then present in person or represented by proxy, shall have power to adjourn the meeting to another time or place without notice other than announcement at the meeting at which adjournment is taken, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each member of record entitled to vote at the meeting.

Section 8. Majority Required. When a quorum is present at any meeting, the vote of a majority, whether in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes or of the Articles of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. If the meeting commenced with a quorum, business may continue until adjournment of the meeting notwithstanding the withdrawal or temporary absence of sufficient shares to reduce the number present to less than a quorum; provided that the affirmative vote must be such as would constitute a majority if a quorum were present.

Section 9. Voting. Except as may otherwise be required by the Articles or by statute, each member represented at any meeting of the members in person or by a proxy given as provided in these Bylaws, will be entitled to one vote. Unless

otherwise required by the Articles or by statute, any question submitted to the members will be resolved by a majority of the votes cast thereon. The voting will be by ballot on any question as to which a ballot vote is demanded, prior to the time the voting begins or immediately after the president's ruling on a voice vote, by any person entitled to vote on such question; otherwise a voice vote will suffice. No changed ballot will be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 10. Proxies. Any member entitled to vote thereat may vote by proxy at any meeting of the members (and at any adjournment thereof), provided that the member's proxy is executed in writing (or by the member's duly authorized attorney-in-fact). A.R.S. §10-3724 shall govern the use of proxies.

Section 11. Organization and Conduct of Meetings. Each members' meeting will be called to order by the president. The Corporation's secretary/treasurer will act as secretary of each members' meeting; in the secretary/treasurer's absence the president of the meeting may appoint any person (whether a member or not) to act as secretary thereat. After calling a meeting to order, the president thereof may require the filing of all proxies with the secretary of the meeting. The chairman of a meeting will, among other things, have absolute authority to fix the period of time allowed for the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer, portions thereof).

Section 12. Membership. Every person who holds a certificate in the CoOp and has a tap in the corporation's water system at the time of formation of the corporation shall be a member, and must maintain their membership in full force and good standing in order to retain their tap. No person who does not hold a certificate in the CoOp or have a tap in the corporation's water system shall be entitled to be a member of the corporation. There shall be one membership and one vote for each parcel of real property which held a certificate in the CoOp and has a tap in the corporation's water system, and if that parcel is jointly owned, the owners of that parcel shall designate the one person who may vote that membership's vote. All parcel owners who hold a certificate and have a tap in the corporation's water system at the time of execution of these bylaws shall be entitled to retain that membership and tap for so long as the corporation remains in existence, conditioned upon that parcel owner's paying all dues, water usage fees and assessments levied by the board of directors, and these rights shall be appurtenant to the parcel, and fully transferable to any subsequent owner of that parcel. Any parcel owner who does not pay all dues, water usage fees and assessments shall have their tap cut off, and shall no longer have the right of membership in the corporation, and shall no longer have the right to retain the water tap. All rights evidenced by the

certificates in the CoOp shall be merged into the membership rights in the Corporation, and upon signature below in the CONSENT portion of these bylaws, the undersigned persons' certificates shall have no further force nor effect. Additional members may be admitted to the corporation upon a majority vote of the membership, or if that person has a legally enforceable right to tap into the corporation water system under any CoOp certificates which may exist at the time of formation of the corporation, but only if such additional member does not cause the number of members of the Corporation to exceed 14, and does not cause the number of persons served to exceed 24.

ARTICLE III DIRECTORS

Section 1. Number and Classification. The number of persons to serve on the board of directors shall be not less than three and not more than seven. At the initial meeting of members, the members shall elect three persons to serve as directors. Thereafter, persons shall be elected at each annual members meeting to serve for terms of one year, or until their successors be elected and qualified. Directors must be members.

Section 2. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of the remaining directors then in office, though not less than a quorum and the directors so chosen shall hold office only until the next annual election, even if the term to which they have been elected extends beyond such meeting, and until their successors are duly elected and qualified, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3. Powers. The business and affairs of the Corporation shall be managed by its board of directors, which may exercise all such powers of the Corporation and do all such lawful acts as are not by statute, the Articles of Incorporation, or these Bylaws directed or required to be exercised or done by the members. The board of directors shall act only as a board, and no individual director shall have the power or ability to bind the corporation to any act.

Section 4. Place of Meetings. The board of directors of the Corporation may hold meetings, both regular and special, either within or without the State of Arizona, and may be held by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Section 5. Annual Meetings. The regular annual meeting of each newly elected board of directors shall be held immediately following the annual meeting of members and in the same place as the annual meeting of members, and no notice to the newly elected directors of such meeting shall be necessary in order legally to hold the meeting, providing all such directors were present at the annual members' meeting and a quorum shall be present. In the event such meeting is not held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver by all of the directors.

Section 6. Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board. All such meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 7. Special Meetings. Special meetings of the board may be called by the president or any three directors on two day's notice to each director, either personally, by mail, by telegram, or by telephone, and such meetings shall be held within 10 miles of the intersection of Highway 89-A and Lower Red Rock Loop Road.

Section 8. Quorum. A majority of the membership of the board of directors shall constitute a quorum and the concurrence of a majority of those present shall be sufficient to conduct the business of the board, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors then present may adjourn the meeting to another time or place, without notice other than announcement at the meeting, until a quorum be present.

Section 9. Action without Meeting. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Executive Committee. Upon adoption of a resolution creating the same by the board of directors, there may be an executive committee consisting of not less than three directors who shall be elected by the board. Members of the executive committee shall serve at the pleasure of the board of directors and each member of the executive committee may be removed with or without cause at any time by the board of directors acting at a meeting or by unanimous written consent.

Any vacancy shall be filled by the board of directors. The executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the Corporation, but shall not possess any authority of the board of directors prohibited by law. The president shall be a member of, and shall be chairman of, the executive committee.

Section 11. Compensation. No director shall receive a salary or any form of compensation for serving on the board of directors, however the directors shall be reimbursed from Corporation funds for any actual expenses incurred in performing their duties.

Section 12. Waiver of Notice. Attendance of a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular, or special meeting of directors by executing a written notice of waiver either before or after the time of the meeting.

Section 13. Standards of Performance and Removal. Any officer or board member may be removed from office by a majority vote of the board members at any meeting. Any board member or officer to be removed shall be entitled to five days written notice of the meeting at which such removal is to be considered. Said board member or officer is entitled to attend the meeting and be heard. Whenever a board member is not present for three consecutive meetings, or misses three meetings in a continuous six months, the board may declare the position vacant, and the board shall have the power, by majority vote, to select a new member to serve the remaining term of the vacated board position.

Section 14. Dues, Assessments, and Water Usage Fees. The board of directors shall set any dues which must be paid to maintain membership in the corporation, shall set all water usage fees, and shall set any assessments for maintenance or repair of the corporation's water system. All members must pay these dues, water usage fees and assessments under the payment schedule adopted by the board of directors in order to retain membership in the corporation. The board of directors may consider payment plans of general application or in specific cases, but no forbearance of the corporation's right to demand timely payment of dues, water usage fees and assessments as a condition of continued membership in the corporation and maintenance of a water tap shall be deemed to be a waiver of the corporation's right to enforce all such rights.

ARTICLE IV OFFICERS

Section 1. Designation of Titles. The officers of the Corporation shall be chosen by the board of directors and shall include a president, a vice president, and a secretary/treasurer. Any number of offices may be held by the same person, unless the Articles of Incorporation otherwise provide.

Section 2. Appointment of Officers. The board of directors at its first meeting after each annual meeting of members shall choose the officers of the Corporation, each of whom shall serve at the pleasure of the board of directors. The board of directors at any time may appoint such other officers and agents as it shall deem necessary to hold offices at the pleasure of the board of directors and to exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 3. Salaries. No officer shall receive a salary or any form of compensation for serving as an officer, however the officers shall be reimbursed from Corporation funds for any actual expenses incurred in performing their duties.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise may be filled by the board of directors at any time.

Section 5. President. The President shall preside at all meetings of members and all meetings of the board of directors. The President shall serve as chief executive officer of the Corporation. He or she shall sign all conveyances, all contracts and agreements, and all other instruments requiring execution on behalf of the Corporation, and shall act as operating and directing head of the Corporation, subject to policies established by the board of directors. The President shall be the person primarily responsible for monitoring the performance of the well and water distribution system, and all members must address all comments or complaints regarding the performance of the water system to the President.

Section 6. Vice President. The vice president shall perform such duties as from time to time may be assigned to him or her and shall have all the powers and perform all the duties of the president in case of the temporary absence of the President or in case of his or her temporary inability to act. In case of the permanent absence or inability of the President to act, the office shall be declared vacant by the board of directors and a successor chosen by the board.

Section 7. Secretary/Treasurer. The secretary/treasurer shall see that the

minutes of all meetings of members, of the board of directors, and of any standing committees are kept. The secretary/treasurer shall have charge of all of the books and records of the Corporation, shall render financial statements to the president, directors, and members at proper times, shall have general custody of all the funds and securities of the Corporation except such as may be required by law to be deposited with any state official, shall have charge of the preparation and filing of such reports, financial statements, and returns as may be required by law and in general shall perform all the duties incident to the office of secretary or treasurer of a Corporation and such other duties as may be assigned.

Section 8. Annual Report. The President, after the close of the fiscal year, shall submit a report as to the condition of the Corporation and its property, and shall submit also an account of the financial transaction of the past year. In addition, the President shall also submit to the members of the Corporation a preliminary estimate of the revenues and the expenses for the upcoming year.

Section 9. Authority. Notwithstanding any other provision herein, no officer shall be authorized to incur any expense, liability or indebtedness on behalf of the Corporation in excess of One Hundred Dollars (\$100.00) except on approval of the board of directors.

ARTICLE V MEMBERSHIP

Section 1. Membership Dues. The board of directors from time to time shall assess and set the amount of membership dues and any initiation fees. The board of directors shall establish such initiation fees, late fees and penalties as it determines to be appropriate.

Section 2. Membership Rights. Any person, club or organization may become a member of the Corporation by ascribing to the purposes and goals of the Corporation and paying the member's annual dues/ No person shall claim any membership rights, including right of attendance at members meetings, or right of voting at members meetings unless that person is paid in full and current on their membership dues.

ARTICLE VI NON PROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited. The Corporation

shall at all times be operated on a non-profit basis for the mutual benefit of its members. No distribution shall be paid or be payable by the Corporation on any capital furnished by its members. No part of the net earning of the corporation shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article 2.

Section 2. Surplus. In the event that dues or other income to the Corporation create a surplus, that surplus must be used for the benefit of the Corporation, or donated to any appropriate non-profit corporation, and may not be distributed to any of the members, officers or directors for any reason other than to reimburse them for actual expenses incurred in performing duties for the Corporation.

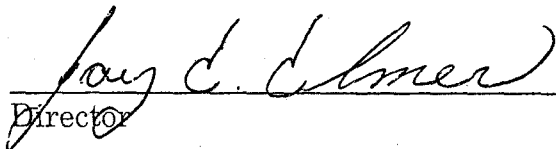
ARTICLE VII MISCELLANEOUS PROVISIONS

Section 1. Repeal, Alteration and Amendment. These Bylaws may be repealed, altered or amended or substitute Bylaws may be adopted at any time by a majority of the board of directors or by a majority vote of the members entitled to vote thereon.

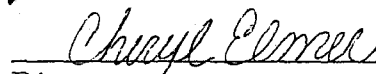
CERTIFICATE

The undersigned hereby certifies that the foregoing Bylaws have been duly adopted by the board of directors, that they include all amendments adopted through this date, and that they have not been further amended, rescinded or repealed, and are currently in effect.

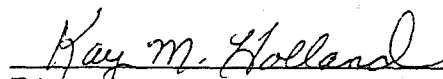
Dated this ____ day of June, 2001.



Director



Director




Director


Attest:

Secretary/treasurer of the Corporation

CONSENT:




Frank Davis
364 Mockingbird Lane
Sedona, Arizona 86336



Steve Holland
70 Mockingbird Spur
Sedona, Arizona 86336

Michael Kempe
106 Mockingbird Spur
Sedona, Arizona 86336

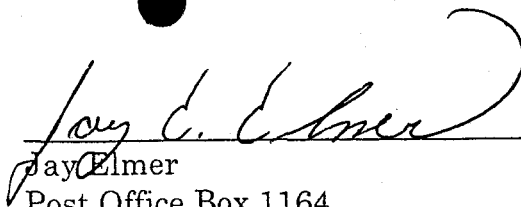


Chuck Coulter
~~30227 Hasley Cyn. Road~~ 80 Mockingbird Spur
~~Gastaic, California 91384~~ SEDONA, AZ. 86336

Penny Coulter
Post Office Box 92
Burbank, California 91503

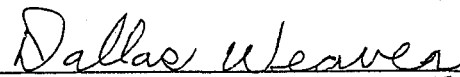
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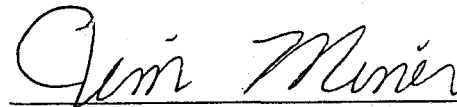
Deborah Dobson
375 Mockingbird Lane
Sedona, Arizona 86336

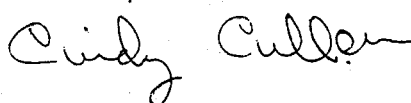

Jay Elmer
Post Office Box 1164
Sedona, Arizona 86339

Timothy Wright
Post Office Box 3746
Sedona, Arizona 86340

Jim Herbert
151 Country Lane
Sedona, Arizona 86336


Dallas Weaver
Post Office Box 4201
Sedona, Arizona 86340


Jim Miner
130 Country Lane
Sedona, Arizona 86336

Cindy Cullen
90 Mockingbird Spur
Sedona, AZ. 86336


forwarded to Docu 6 T-07052A-01-0294

Debby Dobson

(928)

Tel: (520) 282 9473

FAX: (520) 282 9625

Fax TransmissionTO: Jamie Woller, Corp. CommissionFAX #: 602/542-2129RE: Red Rock Water CoOp rate increasePAGES: 2DATE: 9/2/01**COMMENTS:**

On Friday, I called seven local water companies to compare their rates with ours. Of those, only 2 were higher.

★ Please pass this along to the attorney - thanks. ★

I gave this rate comparison to several neighbors + am waiting for their response. I do know that at least one neighbor (Chuck Coulter) was given paperwork to the effect that he is financially obligated to support the well - he bought his property back in 1979.

Please keep me up to date on what's happening.

Thanks,

Debby

COMPARISON RATES: RED ROCK WATER CO OP AND SEVEN OTHER LOCAL WATER COMPANIES

My bill from Red Rock Water Co Op for July, 2001 was \$27.87. The base rate (for the first 1000 gallons) was \$15.00 and for every thousand gallons after that, \$1.50 was charged. I used a total of 9580 gallons. This same amount of water used after the rate increase of 67%* will be \$36.45.

AZ Water: BASE = 13.47, and \$1.50 per 1000 gal thereafter TOTAL = \$26.34

Big Park Water: BASE = 18.00, and \$2.36 per 1000 gal thereafter TOTAL = \$38.25

Oak Creek Water: BASE = 7.00, and 1.85 per 1000 gal thereafter TOTAL = \$22.87

Cordes Water, Ctnwd.: BASE = 11.00, and 2.06 per 1000 gal thereafter TOTAL = \$28.67

Cottonwood Waterworks: BASE = 8.85, 1.15 per 1000 gal thereafter TOTAL = \$18.72

Camp Verde Water System: BASE = 23.75, 3.35 per 1000 gal thereafter TOTAL = \$52.49
(Please Note: This water company just had to re-drill their well after discovering a high level of arsenic and the new well had to be relocated 7 miles outside of town. Their prices reflect the cost of trenching and laying 7 miles of new pipe - over 1 million dollars!)

Verde Lakes Water: BASE = 8.75, 1.65 per gal 1001-6000 gals, and 2.50 per gal 6001-15000 gal (8.75 + 9.90 + 6.45) TOTAL = 25.10

PLEASE NOTE:

This water bill, with the 67% proposed rate increase, will be **HIGHER** than most of the other local water companies! Of the seven listed, only two are higher - Big Park and Camp Verde Water System. (These are their current rates as of 8/31/01.)

* Our "after base rate" will increase from \$1.50 per 1000 gallons to \$2.50 per 1000 gallons - a total increase of 67%.

FORWARDED TO DOCKET NO. -04052A-01-0798

RED ROCK WATER
70 MOCKINGBIRD SPUR
SEDONA, AZ. 86336

DEBORAH DOBSON
375 MOCKINGBIRD LANE
SEDONA, AZ. 86336

TO ALL SHAREHOLDERS;

AS MANY OF YOU KNOW IN RESENT WEEKS, WE HAVE EXPERIENCED PROBLEMS WITH OUR WATER SYSTEM.

THIS PROBLEM NEEDS TO BE ADDRESSED IMEDIATELY, OR WE WILL BE COMPLETELY OUT OF WATER.

DO TO EXPENSES, WE HAVE HAD IN THE LAST 1-2 YEARS , WITH THE STATE CORPORATION COMMISSION, AND ATTORNEY FEES, COMBINED WITH THE FACT THAT WE NOW HAVE LESS USERS ON THE SYSTEM, THERE ARE NOT ENOUGH FUNDS AVAILABLE FOR THE NECESSARY REPAIRS.

THIS LETTER IS TO NOTIFY ALL SHAREHOLDERS, THAT IT IS NECESSARY AT THIS TIME TO HAVE AN ASSESSMENT FEE OF \$ 300.00 TO BE PAID BY EACH SHAREHOLDER.

THIS ASSESSMENT, COMBINED WITH AN INCREASE IN MONTHLY CHARGES, WHICH WILL INCREASE FROM \$ 1.50 PER 1000 GALLONS AFTER BASE RATE TO \$ 2.50 PER 1000 GALLONS AFTER BASE RATE.

THIS IS ALL NECESSARY IN ORDER TO , NOT ONLY PAY FOR THE REPAIRS THAT ARE NECESSARY IMEDIATELY, BUT TO HELP OFFSET, ADDITIONAL COST ANTISEPATED WITHIN THE NEXT YEAR.

AS MANY OF YOU KNOW OUR WATER SYSTEM, RESERVOIR, PUMPS, AND PRESSURE TANK, ALONG WITH MOST CONTROLS ARE NOW UP TO 25 YEARS OLD, AFTER THIS LENGTH OF TIME , MANY PARTS ARE WEARING OUT. IN ORDER TO HAVE A RESERVE AND TO BE ABLE TO REPLACE THESE ITEMS, WE

COULD EASILY BE SPENDING \$ 10,000 - \$ 15,000 DOLLARS. THIS ACESMENT AND ADDITIONAL CHARGES, WILL AT LEAST HELP WITH SOME OF IT.

THERE ARE SEVERAL NAMES ON THIS LIST OF SHAREHOLDERS, THAT ARE NOW USING THEIR OWN WELL, AND RETAINING THEIR SHARE IN RED ROCK WATER, AS A SHAREHOLDER YOU ARE RESPONSIBLE FOR MAINTAINING THE WATER SYSTEM, IN ODER TO HAVE THE OPPORTUNITY TO USE WATER BY YOU AS A SHAREHOLDER, AND ARE SUBJECT TO THIS ACESMENT. IF YOU DO NOT WISH TO HAVE THESE CHARGES, YOU MAY AT THIS TIME REMOVE YOURSELF AS A SHAREHOLDER, WITH A LETTER OF RELEASE SIGNED BY YOU. IF YOU DO NOT WISH TO SIGN AND DELIVER THE RELEASE, YOU ARE SUBJECT TO THE ACESMENT. IF YOU WISH TO RETAIN YOUR SHARE THE ACESMENT FEE IS APPLICABLE, AND YOU WILL BE ENTITLED TO WATER WHEN NEEDED, WITH THE NORMAL HOOKUP FEE AND WATER USAGE FEE.

IF ANYONE DOES NOT AGREE WITH THIS ACESMENT AND INCREASE, THEY CAN CALL THEIR ATTORNY WHICH IS STEVE OWENS AT 284-0899 THEY WILL BE RESPONSIBLE FOR THE CHARGES.. STEVE OWENS IS RED ROCK WATERS ATTORNEY, AND ALL SHAREHOLDERS YOU ARE RED ROCK WATER CORPOATION.

THANK YOU

SHAREHOLDERS

1. STEVE HOLLAND
2. MICHAEL KEMPE
3. CHUCK COULTER
4. CINDY CULLEN
5. PENNY COULTER
6. JAY ELMER
7. FRANK DAVIS
8. DEBORAH DOBSON
9. TIM WRIGHT
10. JIM HERBERT
11. DALLAS WEAVER
12. JIM MINER